

AMENDED IN ASSEMBLY APRIL 12, 2010

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

## ASSEMBLY BILL

No. 2603

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**Introduced by Assembly Member Gaines**  
***(Coauthor: Assembly Member Coto)***

February 19, 2010

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An act to amend Section 8544.5 of, and to add and repeal Article 9.5 (commencing with Section 11362) of Chapter 3.5 of Part 1 of Division 3 of Title 2 of, the Government Code, relating to administrative regulations.

### LEGISLATIVE COUNSEL'S DIGEST

AB 2603, as amended, Gaines. Administrative regulations: reductions.  
The

(1) *The Administrative Procedure Act generally sets forth the requirements for the adoption, publication, review, and implementation of regulations by state agencies.*

This bill would, until December 31, 2021, enact the California Smart Regulation Act. The bill would require, on or before July 1, 2011, that a state agency determine how many regulations it imposes and, on or before December 31, 2012, to reduce the total number of regulations it has identified by 33%. *The bill would require an agency to give priority to eliminating regulations that increase the regulatory burden on businesses and the business climate.* The bill would also require, until December 31, 2021, that any new regulation proposed by an agency also eliminate another regulation.

(2) *Existing law establishes the Bureau of State Audits, which is headed by the State Auditor and has specified statutory duties. Existing*

*law establishes the State Audit Fund which is continuously appropriated for the expenses of the State Auditor.*

*This bill would require an agency to submit a report of the regulations eliminated or identified for elimination to the State Auditor. The bill would require the State Auditor to perform an evaluation of the identified regulations and determine, in a report submitted to the Legislature, whether the removal of the regulations will result in a positive impact on the regulatory burden on businesses and the business climate. This bill would require the Legislature to appropriate funds to the State Auditor sufficient to fulfill these duties.*

*(3) This bill would repeal its provisions on January 1, 2022, as specified.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 8544.5 of the Government Code is  
2     amended to read:

3     8544.5. (a) There is hereby established in the State Treasury  
4     the State Audit Fund. Notwithstanding Section 13340, the State  
5     Audit Fund is continuously appropriated for the expenses of the  
6     State Auditor, *except expenses incurred pursuant to Section 11363.*  
7     There shall be appropriated annually in the Budget Act to the State  
8     Audit Fund, from the General Fund and the Central Service Cost  
9     Recovery Fund, the amount necessary to reimburse the State Audit  
10    Fund for the cost of audits to be performed that are not directly  
11    reimbursed under subdivision (c). “Cost of audits” means all direct  
12    and indirect costs of conducting the audits and any other expenses  
13    incurred by the State Auditor in fulfilling his or her statutory  
14    responsibilities.

15    (b) With regard to the funds appropriated pursuant to subdivision  
16    (a), upon certification by the State Auditor of estimated costs on  
17    a monthly basis, the Controller shall transfer the amount thus  
18    certified from the General Fund or the Central Service Cost  
19    Recovery Fund, as applicable, to the State Audit Fund. The  
20    Controller shall thereafter issue warrants drawn against the State  
21    Audit Fund upon receipt of claims certified by the State Auditor.

22    (c) To ensure appropriate reimbursement from federal and  
23    special funds for the costs of the duties performed pursuant to

1 Section 8546.3, the State Auditor may directly bill state agencies  
2 for the costs incurred, subject to the approval of the Director of  
3 Finance.

4 (d) To ensure adequate oversight of the operations of the bureau,  
5 the Milton Marks “Little Hoover” Commission on California State  
6 Government Organization and Economy shall annually obtain the  
7 services of an independent public accountant to audit the State  
8 Audit Fund and the operation of the bureau to assure compliance  
9 with state law, including Section 8546. The results of this audit  
10 shall be submitted to the commission and shall be a public record.

11 (e) To ensure that audits of the Milton Marks “Little Hoover”  
12 Commission on California State Government Organization and  
13 Economy are conducted in conformity with government auditing  
14 standards, any audit of the commission that is required or permitted  
15 by law shall be conducted by the independent public accountant  
16 selected pursuant to subdivision (d).

17 ~~SECTION 1.~~

18 SEC. 2. Article 9.5 (commencing with Section 11362) is added  
19 to Chapter 3.5 of Part 1 of Division 3 of Title 2 of the Government  
20 Code, to read:

21  
22 Article 9.5. Reduction of Regulations  
23

24 11362. This article shall be known as the California Smart  
25 Regulation Act.

26 11363. (a) On or before July 1, 2011, every agency shall  
27 determine how many regulations it imposes.

28 (b) On or before December 31, 2012, every agency shall reduce  
29 the total number of regulations it has identified pursuant to  
30 subdivision (a) by 33 percent. *In determining which regulations*  
31 *to eliminate, an agency shall give priority to the elimination of*  
32 *regulations that increase the regulatory burden on businesses and*  
33 *the business climate. An agency shall submit a report of the*  
34 *regulations eliminated or identified for elimination pursuant to*  
35 *this subdivision to the State Auditor.*

36 (c) (1) *The State Auditor shall perform an evaluation of the*  
37 *regulations contained in the agency report for the purpose of*  
38 *determining whether the removal of the regulations will result in*  
39 *a positive impact on the regulatory burden on businesses and the*

1 *business climate. The State Auditor shall report the results of the*  
2 *evaluation to the Legislature.*

3 *(2) The Legislature shall appropriate funds to the State Auditor*  
4 *sufficient to fulfill the duties imposed on the State Auditor pursuant*  
5 *to this section.*

6 ~~(e)~~

7 *(d) Until December 31, 2021, any new regulation proposed by*  
8 *an agency shall also eliminate another regulation.*

9 ~~(d)~~

10 *(e) This article shall remain in effect only until January 1, 2022,*  
11 *and as of that date is repealed, unless a later enacted statute, that*  
12 *is enacted before January 1, 2022, deletes or extends that date.*